



LANDCORP FARMING LIMITED

Half year results for announcement to the market
29 January 2013

Reporting Period	6 months to 31 December 2012
Previous Reporting Period	6 months to 31 December 2011

	Amount (000s) 6 months to 31 December 2012	Amount (000s) 6 months to 31 December 2011	Percentage change
Revenue from ordinary activities	\$NZ 94,031	\$NZ 103,964	(10%)
Net operating profit	\$NZ 2,546 ¹	\$NZ 10,967	(77%)
Net profit after tax	\$NZ 24,886 ²	\$NZ 71,950	(65%)
Total comprehensive income	\$NZ 43,966	\$NZ 71,062	(38%)

Interim Dividend	Nil	Nil	Nil
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Comments

<p>(i) a brief explanation of any of the above figures necessary to enable them to be understood</p>	<p>The first half of Landcorp's 2012/13 year saw revenues decline due to softer farm product prices although production increased. Operating expenses were under tight control.</p> <p>Landcorp made a net operating profit of \$2.5 million for the first half ended 31 December 2012. However we expect an operating result of around \$6 to \$8 million for full-year 2012/13 as revenues pick up during the second half.</p>
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¹ The tax expense under NZIFRS is based on a number of assumptions (for example unrealised balance date revaluations) and is not related to the actual tax expense Landcorp pays. Therefore it is not possible to apportion the tax expense under NZ IFRS over ordinary activities.

² NPAT as reported under NZ IFRS includes significant gains arising from the value change in livestock over the period. As the majority of these gains arise on livestock held for breeding and/or production, rather than sale, and are stated at a particular point in time, they do not represent cash flows that are realised in the ordinary course of livestock farming.

Revenue from ordinary activities for the first half were down 9.6 per cent to \$94.0 million reflecting industry-wide easing in dairy, meat and wool prices. Milk revenue fell 10.7 per cent to \$47.3 million despite production growth, while livestock revenue was down 5.3 per cent to \$43.8 million. Wool, forestry and other revenues also eased.

The impact of lower revenues was partly offset by tight control of expenses, which rose just 0.7 per cent to \$87.7 million (2011/12: \$87.1 million).

Landcorp's net operating profit of \$2.5 million was down from \$11.0 million in the first half of 2011/12 – a period of much higher product prices and excellent climatic conditions.

Growing conditions have been generally favourable in most regions so far in 2012/13, although spring was unusually cool and low rainfall has periodically been a concern in parts of the North Island, Canterbury and Otago. December was warmer and sunnier than normal across New Zealand except for Northland. Through the half year, feed supply on most Landcorp farms was at or above long-run average levels.

Lamb production was impacted, however, by spring snowfall in parts of Otago and Southland.

As expected, 2012/13 has seen a significant retreat in international dairy prices. Lamb prices have also eased significantly from the previous year although Landcorp has softened the revenue impact by extending its forward sales under a major supply contract with Silver Fern Farms to supply UK supermarket company Tesco. Beef schedule prices eased slightly overall and venison prices have tracked back by around 10 per cent from their historically high levels last year.

Landcorp recorded a total positive shareholder return of \$44.0 million which compares with \$71.1 million for the corresponding period in 2011/12. The figure (also referred to as "total comprehensive income") was down largely because lower product prices impacted on the value of the company's livestock which has been offset by the recognition of a \$20.3m gain on the revaluation of available-for-sale financial assets. The decline also reflected the lower net operating profit. Landcorp does not revalue land and buildings at 31 December (only at year

	<p>end) and this means the shareholder return for 2012/13 might be significantly different from the first half figure of \$44.0 million.</p>
<p>(ii) in respect of each half-year period, commentary on the outlook for the remainder of the financial year, including whether the SOE considers it will achieve the financial performance targets in its SCI.</p>	<p>Landcorp currently forecasts an operating profit of around \$6 to \$8 million. This forecast assumes there will be no adverse weather conditions; no deterioration in the foreign currency; and that current market prices hold through the season.</p> <p>The outlook for total shareholder return remains somewhat less certain with farmland values still stagnant.</p>